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Monthly Statistical Report

Prepared by the Finance, Accounting, and Statistics Department

Vol. 11, No. 4

MAY 13, 1987

APRIL 1987

SUMMARY

In some respects, April's surprising data, with sluggish deliveries for most major products and only a small increase in imports despite falling domestic production, seems oddly appropriate for a month traditionally commemorated with pranks, surprises, and misleading behavior.

April's marginal increase in gasoline deliveries, for example, is in seeming disagreement with continued healthy growth in vehicle travel, while distillate deliveries' decline of nearly 5 percent does not parallel indicators which suggest flat or slightly increasing consumption. With higher deliveries for kerosine jet fuel and other oils, however, the rise for total products excluding residual fuel oil came close to 2 percent. Residual fuel oil's decline, a reversal of last year's substitution-related rise, reduced total deliveries' increase to 1.2 percent, or less than 200 thousand B/D.

One possible explanation for April's perplexing deliveries data lies in the fact that prices have been stronger recently compared with the latter half of last year and may have caused some distributors and end-users to postpone purchases until some of the uncertainty surrounding OPEC's ability to continue to restrain production is resolved. By contrast, March's apparent weakness, with a year-to-year decline in total deliveries, had been partly due to unusually high deliveries in the year-ago period. The year-to-year declines in residual fuel oil deliveries for both months, however, are consistent with reduced demand due to fuel switching.

Domestic crude oil production, despite gains for Alaska, in April stood at almost 770 thousand B/D below the recent-year peak of February 1986. Declines in natural gas liquids production, as well, contributed roughly another 160 thousand B/D to the drop in domestic supplies during that period. Because of declining domestic production and underlying growth in demand, April's imports—up less than 250 thousand B/D from last year—do not reflect the increase in the domestic supply/demand gap estimated at 700 to 800 thousand B/D since last April and over 1 million B/D compared to two years ago.

Refinery operations rebounded from March's seasonally lower activity with utilization coming close to last April's increased rate. Despite an inventory drawdown of about 10 million barrels, total stocks ended the month at the highest April level since 1984. Gasoline stocks were 30 to 35 million barrels higher than for the prior two Aprils.

PRODUCTS SUPPLIED[1/]

Gasoline

DELIVERIES UP LESS THAN SUGGESTED BY MILES TRAVELLED.

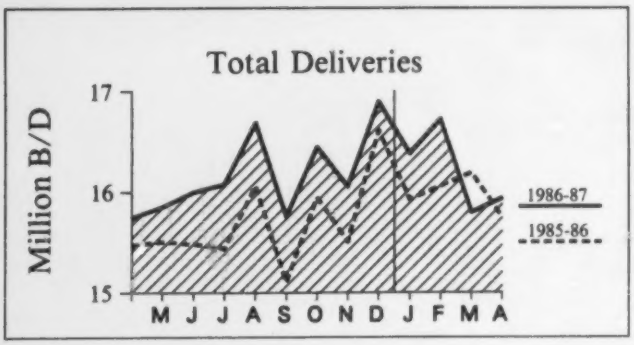
Gasoline deliveries' increase of only 37 thousand B/D or 0.5 percent for April is surprising in view of recent gains in vehicle miles travelled. Though in March, deliveries had actually declined year-to-year, that month's decrease, in fact, translated into a roughly 3 percent rise once adjusted for unusually high deliveries in March 1986. This April's marginal increase, however, is due to weak performance this year—gasoline deliveries for the month were more than 100 thousand B/D below the seasonally-adjusted, 2 percent growth trend of the previous 12 months.

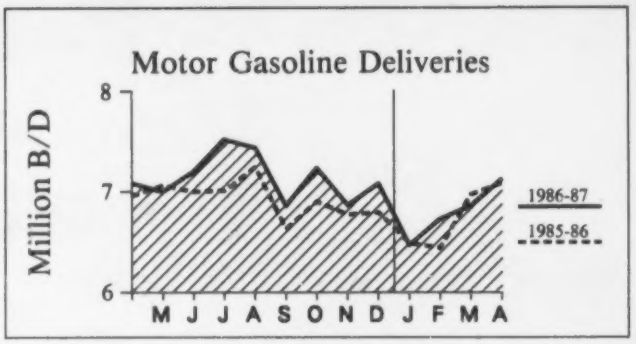
Continued growth in gasoline consumption is consistent with the most recent data on increases in miles travelled (for February) of over 6 percent—similar to the 5 to 6 percent increases of the latter half of last year when gasoline deliveries in April were rising at a 4 percent rate year-to-year. In view of this and the below-trend deliveries in April for other major products as well, it appears more likely that holders of nonprimary inventories postponed purchases due to uncertainty about prices rather than that consumption actually weakened.

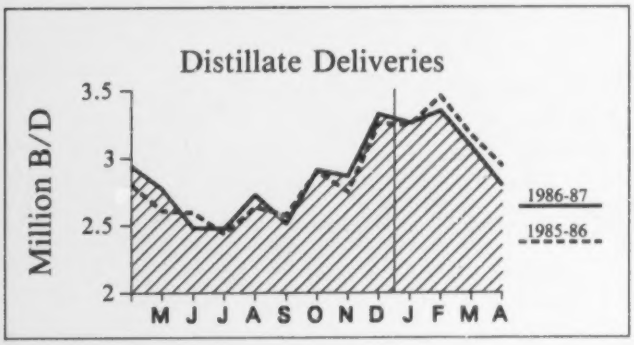
Though recent retail price increases may have tempered demand slightly compared with recent months, prices were still not a negative influence overall for demand when compared with last April. After adjusting for inflation, this April's retail prices were at about the same level as a year ago and still roughly one fourth lower than in April 1985. Long run adjustments by consumers to these lower levels, we believe, is still continuing.

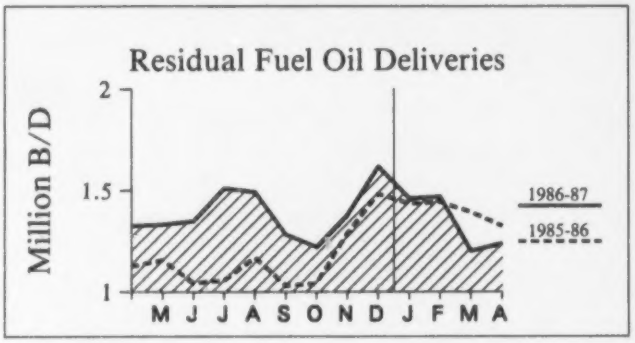
Unleaded's share rose nearly 7 percentage points in April to almost 75 percent of gasoline deliveries, similar to the larger increases of the last several months as mid-grade unleaded has entered more markets.

API ESTIMATES	APRIL		YEAR-TO-DATE	
	Million B/D	Percent Change	Million B/D	Percent Change
Total domestic deliveries	15.9	1.2	16.2	1.5
Crude oil production[2/]	8.4	(4.9)	8.4	(6.9)
Total imports[3/]	5.5	4.7	5.7	15.1
Stocks (million bbl)[3/]	1,030	4.6	na	na









Distillate

CONSUMPTION EVEN OR HIGHER BUT DELIVERIES DECLINE. April distillate deliveries fell 141 thousand B/D or 4.8 percent, continuing the string of year-to-year declines of the past several months. Truck traffic, however, was up about 2 percent in the first quarter, while rail traffic has shown no major declines. Industrial activity has gained slightly year-to-year, as have indicators of off-highway use. A decline in farm acreage under cultivation this year likely has had only a minor impact on total distillate deliveries so far, as has weather cooler than last April's. Thus, since other information leads one to expect distillate consumption to have about matched last April's deliveries, April's decline, as with gasoline deliveries, more likely indicates shifts in nonprimary inventories rather than a consumption decline.

Residual Fuel Oil

REVERSAL OF LAST YEAR'S SWITCHING LOWERS DELIVERIES. Fuel switching, largely at electric utilities, was one of the main contributors to residual fuel oil's April decline of close to 7 percent. Since April is typically one of the lowest months for petroleum use at electric utilities, falling outside the peak winter and summer periods for electricity demand, fuel substitution opportunities are typically less than at other times of the year. Thus, the impact of residual fuel oil's declining price competitiveness with natural gas was less than it would have been during higher-demand periods and may explain why April's deliveries decline was only half that of March. In fact, residual fuel oil prices edged upwards in April, further reducing any price advantage of oil over gas for those able to switch easily.

Part of April's residual fuel oil deliveries decline may also have been in bunker fuel, deliveries of which have been weakening during the past several months.

Kerosine Jet Fuel

DELIVERIES RISE 5.3 PERCENT. Kerosine jet fuel deliveries are beginning to fall back into line with air traffic growth. With the inclusion of revised February data, first quarter deliveries rose over 8 percent, not far from the increase in available seat miles for the same period of about 10 percent. In light of the below-trend performance for gasoline and distillate deliveries in April, kerosine jet fuel's 5.3 percent increase for that month may also be somewhat below consumption gains if traffic growth continued at the first quarter's rate.

Other Oils

YEAR-TO-DATE RISE ALMOST 5 PERCENT. Deliveries of other oils rose 7.8 percent in April, bringing the year-to-date rise to almost 5 percent. The recent strengthening for this category of petroleum products, which slipped 0.4 percent in 1986, has been due in part to rising propane deliveries as its cost relative to heavier petrochemical feedstocks has become more attractive in recent months. Increases for other petrochemical feedstocks and lube oils have contributed as well.

SUPPLY[1/]

Production

CRUDE DOWN 770 MBD FROM FEBRUARY 1986. April's year-to-year drop in crude oil production—down about 440 thousand B/D—does not tell the whole story of domestic crude oil's decline because production was already falling last April. Since the recent-year peak in February last year, lower 48 production has fallen about 850 thousand B/D or 12 percent. Even with an increase in Alaska, where the coming on stream of recently-completed facilities at Lisburne and Kuparuk late last year has helped to boost Alaska's share of total output to nearly one

fourth, U.S. production as a whole is still down roughly 770 thousand B/D. Natural gas liquids contributed another 160 thousand B/D to the drop in domestic supplies over the same period.

Drilling activity continued at lower levels in the first quarter; API's estimated total well completions were down by 47 percent from two years ago. Maintenance of existing wells, too, has not shown any major recovery, despite the modest strengthening of crude oil prices in the past several months. The number of active service rigs has hovered near the 2,500 to 2,700 range since last summer, down about 45 percent in the first quarter of this year versus first quarter 1985. Cuts in well servicing can reduce a field's production rate and shorten its economic life.

The decline in drilling and servicing activity that has taken place since the beginning of last year has taken its toll on equipment availability as well. The number of available drilling and servicing rigs has declined by roughly 10 percent or more in that period, but many of those classified as "available" are lacking parts, in need of repair, lacking crews, or otherwise not immediately ready for service. According to industry surveys, more than one fifth of "available" drilling rigs and one seventh of service rigs fall in this category.

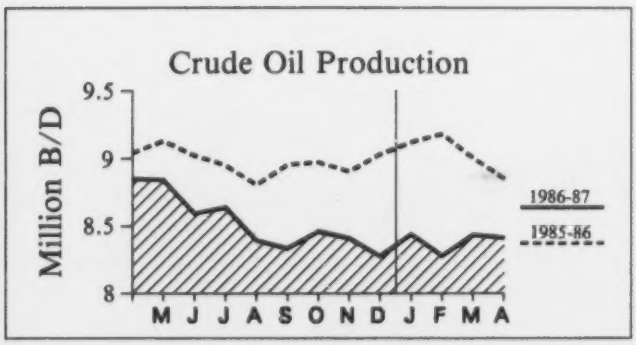
Imports

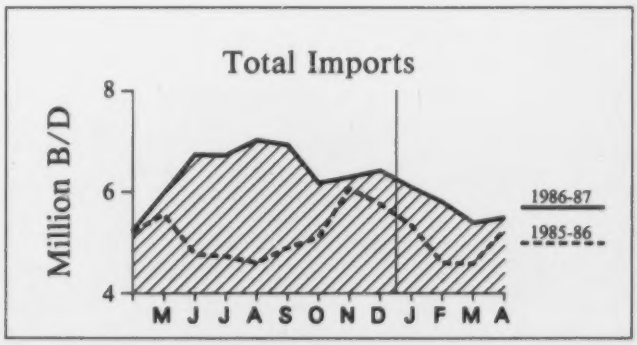
SMALL RISE MASKS GROWING DOMESTIC SUPPLY/DEMAND GAP. Rising about 100 thousand B/D from March's levels, April's imports reversed the month-to-month slippage that had been taking place during the early part of this year. However, the month's 5.5 million B/D in imports was still roughly 900 thousand B/D lower than for as recently as December. Year-to-year, imports rose less than 250 thousand B/D, but April's small increase understates the growth in imports requirements implied by domestic production declines and consumption trends. April's estimated consumption gain of 250 to 350 thousand B/D, when combined with the April-to-April decline in petroleum liquids production of 450 thousand B/D, would have increased the gap to be filled by imports by 700 to 800 thousand compared with last April. Compared with April 1985, the figure rises to over 1 million B/D.

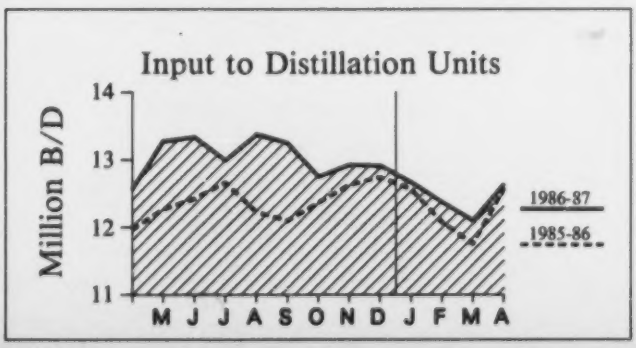
April's rise in imports from the prior month was due to an increase in crude oil imports, and despite the fact that last April marked the beginning of a crude oil import surge that peaked in September at over 5 million B/D, this April's crude oil imports still rose a modest 165 thousand B/D year-to-year. Product imports also increased year-to-year by about 80 thousand B/D. Residual fuel oil imports rose 95 thousand B/D but were well within the range of the past several months; imports of gasoline and components held nearly steady, rising only 16 thousand B/D to 373 thousand B/D.

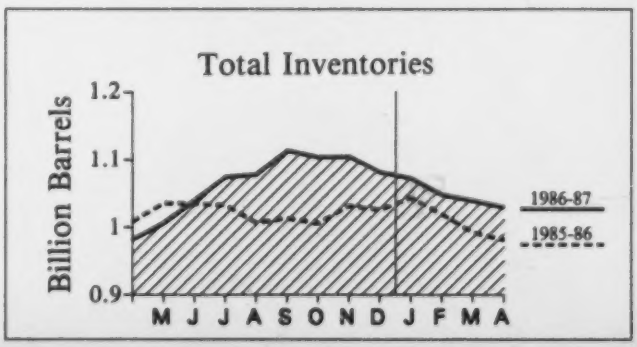
Refinery Operations

UTILIZATION NEARLY EQUALS LAST YEAR'S. After slipping below 78 percent in March due to seasonal turnarounds, utilization of distillation capacity jumped back to nearly 81 percent in April. This was close to last April's rate when refinery activity was picking up in order to process the higher volume of crude oil imports. Gasoline production for April rose close to 5 percent while distillate output fell almost 10 percent from last year's unusually high April level. In the face of declining demand, production of residual fuel oil dropped about 8 percent.









Inventories

GASOLINE PUTS STOCKS TOTAL AT HIGHEST IN 3 YEARS. Despite April's month-to-month rise in crude oil imports, refinery utilization rates of over 80 percent helped to draw down crude oil stocks during April by nearly 7 million barrels. Even though total inventories fell 10 million barrels, they still ended the month at the highest April level since 1984.

Gasoline stocks, in particular, were roughly 30 to 35 million barrels above the level of the prior two Aprils as the month's below-trend deliveries held gasoline inventories' drawdown to 2.5 million barrels. Distillate stocks declined 7 millions barrels in April, ending the heating season only slightly above the level of recent previous years.

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 522 million barrels as of April 30, 1987).

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average in Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	APRIL			YEAR-TO-DATE		
	1987[1]	1986[2]	% Change	1987[3R]	1986[2]	% Change
Products Supplied:						
Total motor gasoline	7,120	7,083	0.5	6,803	6,749	0.8
Finished leaded motor gasoline*	1,807	2,270	(20.4)	1,737	2,180	(20.3)
Finished unleaded motor gasoline*	5,313	4,813	10.4	5,066	4,569	10.9
Naphtha-jet	226	190	18.9	201	192	4.7
Kerosine-jet	1,119	1,063	5.3	1,139	1,061	7.4
Distillate fuel oil	2,798	2,939	(4.8)	3,116	3,197	(2.5)
Residual fuel oil	1,237	1,325	(6.6)	1,342	1,398	(4.0)
All other oils[4]	3,734	3,463	7.8	3,880	3,710	4.6
Reclassified[5]	- 300	- 318	(5.7)	- 269	- 329	(18.2)
Total domestic products supplied	15,934	15,745	1.2	16,212	15,978	1.5
Exports	905	827	9.4	885	813	8.9
Total products supplied	16,839	16,572	1.6	17,097	16,791	1.8
Supply:						
Domestic production:						
Crude oil[6]	8,413	8,850	(4.9)	8,413	9,037	(6.9)
Natural gas liquids	1,546	1,561	(1.0)	1,557	1,652	(5.8)
Other supply[7]	1,053	559	88.4	977	810	20.6
Total domestic supply	11,012	10,970	0.4	10,947	11,499	(4.8)
Imports:						
Crude oil, total	3,811[10/]	3,646[10/]	4.5	3,871[10/]	3,214[10/]	20.4
Canadian	583	572	1.9	556	516	7.8
Other	3,228	3,074	5.0	3,315	2,698	22.9
Products, total	1,684	1,601	5.2	1,822	1,732	5.2
Residual fuel oil	599	504	18.8	611	571	7.0
Other	1,085	1,097	(1.1)	1,211	1,161	4.3
Total imports	5,495	5,247	4.7	5,693	4,946	15.1
Total supply	16,507	16,217	1.8	16,640	16,445	1.2
Stock change, all oils	- 332	- 355	XXXX	- 457	- 346	XXXX
Refinery Operations						
Input to crude oil distillation units	12,638	12,569	0.5	12,447	12,241	1.7
Operable capacity	15,621	15,469	1.0	15,614	15,520	0.6
Refinery utilization (%)[8]	80.9%	81.3%	(0.5)	79.7%	78.9%	1.0
Crude oil runs	12,554	12,483	0.6	12,358	12,108	2.1

Stocks (millions bbls.)	1987		1986[2]	% Change from ...	
	Apr. 30[9]	Mar. 31[9]	Apr. 30	Previous Month	Year Ago
Crude oil 10/	328.4	335.2r/	338.2	(2.0)	(2.9)
Unfinished oils	105.8	106.5r/	108.4	(0.7)	(2.4)
Total motor gasoline**	243.5	246.0r/	208.6	(1.0)	16.7
Finished leaded motor gasoline*	59.9	64.9r/	66.0	(7.7)	(9.2)
Finished unleaded motor gasoline*	142.0	138.2r/	108.6	2.7	30.8
Naphtha-jet	6.6	6.8r/	6.7	(2.9)	(1.5)
Kerosine-jet	40.6	41.8r/	38.6	(2.9)	5.2
Distillate fuel oil	100.2	107.2r/	95.3	(6.5)	5.1
Residual fuel oil	38.0	38.0r/	35.9	-	5.8
All other oils	166.4	157.9r/	152.1	5.4	9.4
Total all oils	1,029.5	1,039.4r/	983.8	(1.0)	4.6

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-February, U.S. Department of Energy, March-April, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.